



Hereford Funds

DSM US Large Cap Growth Fund

October 2008

#### October 2008 Investment Review

The Hereford/DSM Large Cap Fund declined (18.1%) for the month of October compared to a (17.6%) decline for the Russell 1000 Growth index and a (16.8%) decline for the S&P500. Consistent with last month, the majority of the fund remains invested in the health care, technology, and business services sectors. The weighted average P/E of the portfolio is 15.9x, which we feel is attractive relative to our estimated earnings growth of 20%

As we exit the month, we continue to witness extraordinary volatility in both the US and global equity markets. The VIX (volatility index), which had been steady between 20 and 30 from July 2007 through September 2008, has spiked to record levels ranging from 50 to a peak of 80 in recent weeks. Intraday moves of 500 or even 1,000 points on the Dow and up to 100 points on the SP500 have become relatively common. While it appears that the coordinated actions on the part of governments in general, and central banks in particular, have steered us clear of a complete market meltdown, the situation remains fluid to say the least. Our belief is that much of the volatility is being driven by factors not readily apparent in corporate financial statements or in economic prognostications. Rather, we believe that much of the action is being forced by extraneous factors such as deleveraging, margin calls, rescission of the uptick rule, and redemptions. It is unclear to us at this point how long the process will take. What we can say is that we are finding many companies trading at what appear to be bargain valuations. Indeed, we have noticed a discernable uptick in insider purchases among top corporate executives, despite the overwhelming drumbeat of negativism we hear on the economy

During the month of October, we made several changes to the portfolio. Given the precipitous drop in the price of oil and the generally soft economic outlook, we reduced our exposure to the energy group. Specifically, we sold FTI and SLB. Other sales during the quarter included SGP (no stabilization in script trends), JBT, AAPL (soft guidance, consumer exposure), and ABB (credit crunch/recession hurts project finance).

On the purchase side of the ledger, we began adding selectively to some non-bank financial stocks including Mastercard (MA), Visa (V), Schwab (SCHW), Northern Trust (NTRS), and State Street (STT). Valuations have become quite reasonable while each of these companies has an attractive business model and strong balance sheet. We also purchased Pepsi (PEP) which now trades at its lowest valuation in our memory despite a powerful global franchise and defensive characteristics.

#### Key information

NAV A Shares (31/10/08): US\$67.06

Total Fund Size: US\$38.9 mil

Strategy Assets: US\$1,167.95 mil<sup>(a)</sup>

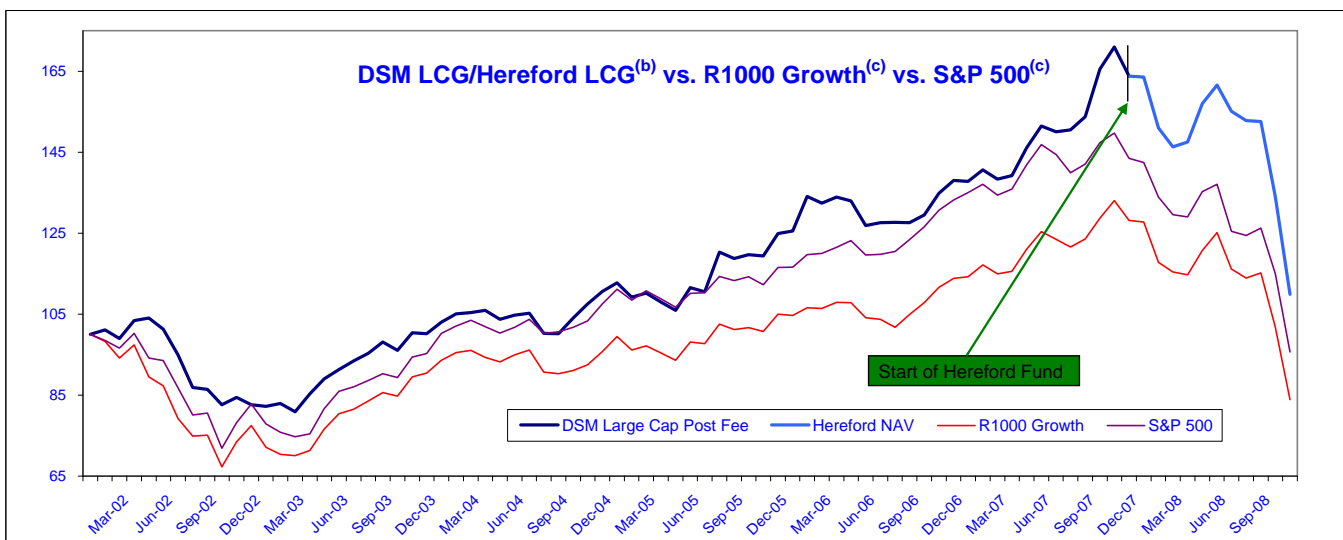
Fund Launch Date: 29-Nov-07

#### Monthly Performance (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Hereford Funds NAV	(7.7)	(3.1)	0.8	6.5	2.9	(4.0)	(1.5)	(0.2)	(12.1)	(18.1)			(32.8)
Russell 1000 <sup>(c)</sup>	(7.8)	(2.0)	(0.6)	5.3	3.7	(7.2)	(1.9)	1.1	(11.6)	(17.6)			(34.3)
S&P 500 <sup>(c)</sup>	(6.0)	(3.3)	(0.4)	4.9	1.3	(8.4)	(0.8)	1.5	(8.9)	(16.8)			(32.8)

#### Period Performance (%)

	YTD	2007	2006	2005	2004	2003	2002	Since Inception 01/01/02	
								Cumulative	Annualised
DSM LCG/Hereford LCG Returns <sup>(b)</sup>	(32.8)	18.7	9.8	11.4	9.4	25.2	(17.7)	9.9	1.4
Russell 1000 <sup>(c)</sup>	(34.3)	11.8	9.1	5.3	6.3	29.7	(27.9)	(16.1)	(2.5)
S&P 500 <sup>(c)</sup>	(32.8)	5.5	15.8	4.9	10.9	28.7	(22.1)	(4.3)	(0.6)





## Top Ten Holdings

	% NAV
Celgene	9.5%
Genzyme	7.3%
Monsanto	6.0%
Stryker	4.3%
Google	3.9%
SEI Investments	3.6%
Nestle SA	3.5%
Automatic Data Processing	3.4%
Gen-Probe Inc.	3.4%
C. R. Bard	3.4%

## Sectoral Breakdown

	% of Assets
Health Care	42.0%
Information Technology	13.3%
Financials	11.3%
Consumer Staples	8.5%
Services	7.7%
Materials	6.0%
Consumer Discretionary	2.5%

## Investment Objective

The investment objective of the sub fund is to provide capital appreciation principally through investments in US-based growing corporations with market capitalizations generally above 2 billion dollars. These companies are chosen for their growth prospects, attractive returns, solid business fundamentals and intelligent management. The sub fund may, on an ancillary basis, invest in US-based companies with lower market capitalizations as well as in non-US based companies. The Compartment may invest in American Depository Receipts and American Depository Shares. The reference benchmark for this strategy is the Russell 1000 Growth Index.

Fund Codes (Share Class A)		Since Inception Risk Profile	DSM US LCG	DSM LC	R1000 Growth
Bloomberg	DSMUSLA LX	Volatility	n/a	14.0	15.1
ISIN	LU0327604228	Sharpe Ratio	n/a	-0.2	-0.4
Reuters	LP65102015	Information Ratio	n/a	0.4	
Sedol	B28TLX2	Tracking Error	n/a	8.2	
Valoren	3504726	Beta	n/a	0.8	
WKN	A0M58T	Alpha	n/a	2.8	

## Fund Details

Dealing day	Daily
Dividends	None - income accumulated within the fund
Investment Manager	DSM Capital Partners LLC, 320 East Main Street, Mount Kisco, NY 10549, USA
Promoter	VPB Bank (Luxembourg) S.A., 26 Avenue de la Liberté, L-1930 Luxembourg
Authorized Corporate Director	VPB Finance S.A., 26 Avenue de la Liberté, L-1930 Luxembourg
Custodian	VPB Bank (Luxembourg) S.A., 26 Avenue de la Liberté, L-1930 Luxembourg
Legal Advisers	Elvinger, Hoss & Prussen, 2 Place Winston Churchill, L-1340 Luxembourg
Auditor	Deloitte, 560 Rue de Neudorf, L-2220 Luxembourg

## Annual Management Charge

Share Class A & U <sup>(e)</sup>	1.25%
Share Class B	0.25% + 20% performance fee on outperformance vs US T-Bill with HWM
Share Class C(d)	1% + 20% performance fee on outperformance vs US T-Bill with HWM
Share Class D	1.75%

## Minimum Investment

Share Class A&B	\$100,000 initial / \$10,000 subsequent
Share Class C&D	\$10,000 initial / \$1,000 subsequent

## Order Transmission / Information

### Original Applications To:

VPB Finance S.A.  
attn. Fund Operations / TA-HFF  
P.O. Box 923  
L-2019 Luxembourg  
or, for transmissions via courier service,  
26, avenue de la Liberté, L-1930 Luxembourg

### Subsequent Applications Only Via Facsimile:

VPB Finance S.A.  
attn. Fund Operations / TA-HFF  
Fax : (+352) 404 770 283  
Tel: (+352) 404 770 260

e-mail: luxfunds.info@vpbank.com

- (a) This refers to the total assets invested in the reference strategy managed by the Investment Manager
- (b) Data and graph depict DSM Composite through November 2007 and Hereford Funds DSM US Large Cap Growth Fund Class A thereafter. Historical gross performance of DSM Large Cap Composite returns (the Reference Strategy) minus modeled fee and expense typical of Hereford Funds DSM US Large Cap Growth Fund Class A (1.25% fee + 0.25% expense). Fund follows same strategy. Performance presentation incomplete without accompanying footnotes as shown at dsmcapital.com
- (c) Total return including dividends.
- (d) Share Class C is German tax registered from 4/1/08.
- (e) Share Class U: UK Distributor Status to the year ending 30th September 2008 - Pending

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